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News Release

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Man sentenced in LHS mortgage fraud case

The crime of mortgage fraud continues to be a priority with the United States Attorney's Office as the first defendant in the LHS mortgage fraud case was sentenced today in federal court in Minneapolis.

U.S. District Court Judge John R. Tunheim sentenced Mario Augustin Lewis, 37, Minneapolis, to four-and-a-half years imprisonment and ordered him to pay \$437,814.41 in restitution. Lewis pleaded guilty earlier this year to one count of wire fraud and one count of money laundering in connection with a mortgage fraud scheme and one count of maintaining a drug-involved premises in connection with a marijuana grow operation that was discovered in one of the residences that Lewis purchased as part of the scheme.

Lewis, a former employee of mortgage broker LHS, Inc., admitted that between 2004 and 2006, he received more than \$400,000 in concealed payments through fraudulent real estate transactions. The mortgage fraud scheme involved fraudulent loan applications that misrepresented the terms of the proposed transactions by, among other things, overstating property purchase prices.

Three other individuals who were involved with the LHS scheme, Ronald Joseph, an owner of LHS, Inc., Jillian Lehn, a closing agent, and Isadore Stewart, have all pleaded guilty and are awaiting sentencing. Between 2004 and 2006, the scheme involved approximately 40 separate real estate transactions in which lenders were provided with fraudulent loan applications on behalf of the proposed buyer. Among other things, the fraudulent loan applications misrepresented the terms of the proposed real estate transactions by overstating the actual property purchase price and concealing payments that were made from the loan proceeds to the buyers and other individuals.

After a loan was approved based on the false documentation, loan proceeds were provided to a title company. The conspirators then worked with Lehn, the closing agent, to disburse some of those proceeds to the property buyer and other third parties, including Lewis and Joseph. The payments were concealed through false settlement statements.

In total, these real estate transactions were worth approximately \$18 million in loan

proceeds and produced approximately \$3 million in fraudulent, concealed payments.

The mortgage fraud scheme was initially uncovered based on a drug investigation by the West Metro Drug Task Force that uncovered the grow operation at one of the residences purchased by Lewis through the scheme.

This case was the result of an investigation by the Federal Mortgage Fraud Task Force, including the IRS-Criminal Investigations Division, and was prosecuted by Assistant United States Attorney Joe Dixon.